

Bailed-Out Banker Bonus Tax Would Free Up Credit for Local Business

Washington, DC – Thursday, Congressman Harry Teague signed on to legislation to crack down on excessive Wall Street bonuses at firms that have received assistance through the Troubled Asset Relief Program (TARP) and direct the money to help small businesses obtain the credit they need to survive and to create jobs.

The Wall Street Bonus Tax Act would tax bonuses at firms that have received assistance through the TARP at a rate of 50 percent for all bonus compensation in excess of \$50,000, both cash and stock awards. Revenues generated through the tax would fund a new direct lending program administered by the Small Business Administration (SBA).

“I opposed TARP from the beginning because I didn’t think we should be bailing out Wall Street bankers on the backs of American taxpayers,” said Congressman Harry Teague. “Now Wall Street is handing out record-breaking bonuses that are effectively subsidized by the U.S. taxpayer and leaving small business in the dust. Instead of giving it to bailed-out bankers, this bonus money should be directed toward opening up credit for small businesses. They are after all, the engine that will drive our economic recovery.”

According to the New York Times, five of the biggest banks to receive federal assistance last

year – Citigroup, Bank of America, Goldman Sachs, JPMorgan Chase and Morgan Stanley – have collectively set aside \$90 billion for compensation. Goldman is expected to pay employees an average of \$595,000, while JPMorgan is expected to pay an average of \$463,000.

Revenue generated by the Wall Street Bonus Tax Act would fund a temporary, direct small business lending program modeled after the SBA's 7(a) loan program. It would offer low-interest, government loans to otherwise healthy businesses that are having trouble obtaining the credit they need for operating expenses and expansion.

The SBA direct lending program would help compensate for a distinct drop in lending to small businesses by TARP recipient firms. According to CNN, the 22 banks receiving the most in Treasury assistance have scaled back small business lending by \$11.6 billion since April last year.

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